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# JETRO Chicago **Midwest** NEWSLETTER

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## Chicago's financial community gathers for Invest Japan Symposium

Nearly 150 business executives, academics and guests gathered at the Chicago Club on October 22 for a detailed and lively look at Japan's economy and investment opportunities in the Japanese market.

Following a networking breakfast, the program opened with remarks by Patricia M. Haslach, U.S. Ambassador to Asia-Pacific Economic Cooperation (APEC), and Makoto Shiota, Deputy Director-General for International Regional Policy, Trade Policy Bureau, at Japan's Ministry of Economy, Trade and Industry (METI).

Yasuo Hayashi, JETRO Chairman & Chief Executive Officer, provided an overview of Japan's economic environment. Stanley Roth, Vice President, International Government Relations for Boeing International delivered the keynote address on how Boeing Japan leveraged its resources to become successful in Japan.

The first panel discussion, "Perspectives on Regional Opportunities and Business Strategy," featured Dave Johnson, Chief Financial Officer, Molex, Inc.; Masachika Suzuki, Chairman of the Board of Directors, Shizuoka Prefectural University Corporation; former Lieutenant Governor, Shizuoka Prefecture; and moderator David Baeckelandt, Principal, U.S. Head of Analytics & Research Group, for Mercer Investment Consulting.

The second panel session, "Perspectives on Corporate Governance and M&A in Japan," featured Hiroaki Niihara, Director, Corporate System Division, Economic & Industrial Policy Bureau, METI; Kazunari Tomita, Chief Representative & General Manager, New York Representative Office, Tokyo Stock Exchange, Inc.; David Makman, Counsel, Howrey LLP; and moderator Drew Edwards, Vice President, Advisory Research, Inc.

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## Economic speculation gets complicated

John Maynard Keynes (1883-1946) compared speculation by professional investors with a beauty contest in his book "The General Theory of Employment Interest and Money(1936)."

He assumes a fictional beauty contest in which entrants are asked to vote for the most beautiful woman. Those who picked the most popular candidate are then eligible for a prize.

It would be a naïve strategy to choose a candidate that seems to be the most beautiful. A more sophisticated strategy would be to guess who would be the candidate whom the majority of the voters (public perception) would select. This strategy must work better to maximize the chances of winning a prize. But a further more sophisticated strategy might be to guess the candidate taking into account the fact that other voters would also be making their decision based on some inference from the knowledge of public perception. This strategy can be extended to the next order, and the next, and so on.

Keynes writes that it is not a case of choosing those, which to the best of one's judgment, are really the prettiest, or even those which average opinion genuinely



**From the  
Chief Executive  
Director**

*Muneo Takashi  
Chief Executive Director,  
JETRO Chicago*

thinks the prettiest. We have reached the third degree where we devote our intelligences to anticipating what average opinion expects the average opinion to be. And there are some, I believe, who practice the forth, fifth and higher degree.

This is what Keynes wanted to point out as an essence of speculation, using the analogy of a fictional beauty contest. In other words, Keynes thinks that the more sophisticated the speculator becomes, the more his or her way of speculating becomes closer to manipulation of an abstract entity, rather than something like a real economy.

Since Lehman Brothers announced that it applied for Chapter 11 protection on September 15, the financial crisis has spread and deepened worldwide. This

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## Science and Technology in Society Forum: Harmony with Nature



### Guest View

*Dr. G.P. Yeh  
Senior Physicist  
Fermi National  
Accelerator  
Laboratory*

The Science and Technology in Society (STS) Forum was founded in 2004 by the visionary Koji Omi, former Minister

of Finance and Minister of Science and Technology Policy of Japan. The purpose of the STS Forum, "Lights and Shadows of Science and Technology," has been to bring worldwide policy makers, scientists, and leaders of institutions, corporations and media together to discuss science and technology issues of the 21st century, and work towards the common goal of solving problems for humankind.

Meeting annually in Kyoto since 2004, STS Forum has been very successful,

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# JETRO Chicago

## Midwest Newsletter

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financial crisis partially derived from the burst of the housing bubble triggered by the rise of defaults on subprime housing loans. As various financial products which built in securitized mortgage housing loans were sold worldwide, the phenomena of a chain of credit contraction was seen globally among financial institutions.

I think this is also the result of Wall Street producing financial products that were too sophisticated and too complex, so that almost all of the buyers of such financial products were unaware or oblivious to the fact that the products included securitized subprime loans. It is as if sophisticated voters balloted according to a complex manipulation of an abstract notion, so the result of the "beauty contest" ended up apart from the normal standard of "beauty." In short, many of the financial products became too remote from the real economic entity.

Mr. Kenneth D. Lewis, Chairman, CEO and President of Bank of America spoke at a seminar organized by the Executives Club of Chicago on November 20. In his speech, Mr. Lewis said that the banking industry's role is to enable producers to obtain loans and credit that will assist them to create things that will grow their business, and that credit markets must have simple and transparent products.

I agree with Mr. Lewis's view and his views are fundamental. Mr. Lewis also predicted that by the 2nd quarter of 2009 there will be a turnaround in the U.S. housing market. I hope Mr. Lewis's prediction will come true.

Franklin D. Roosevelt spoke in his inaugural address on March 4, 1933, that the only thing we have to fear is fear itself. I hope the new Barack Obama administration will also launch a powerful "New Deal" to overcome the present financial crisis.

Have a nice winter holiday and a Happy New Year!



## JETRO Around the Midwest

### Seminars, Meetings and Events



On a recent visit to Minnesota, JETRO Chicago's Muneo Takashi met with a number of VIPs. At left, former Vice President and Ambassador to Japan Walter Mondale; Muneo Takashi; Dick Stahl, and Ben van Lierop, both of the Japan America Society of Minnesota, (JASM). (Right) Mr. Takashi offered remarks at the JASM Corporate Roundtable. Above right he is pictured with Ben van Lierop; Jerry Fisher, Hubbard Broadcasting Co.; Sheila LeGeros, LeGeros International; and Ken Port, JASM.



Delegates of JETRO Chicago recently had the opportunity to meet Yoichiro Nambu of the University of Chicago, who was awarded the 2008 Nobel Prize in Physics for his work on "the discovery of the mechanism of spontaneous broken symmetry in subatomic physics." Pictured above from left is Muneo Takashi, Dr. Nambu, Takayuki Toriyama, City of Osaka, Chicago Office, and Kazuya Nakajo of JETRO Chicago.



On the evening of October 22, following JETRO's Investment Symposium, Japan's Consul General George Hisaeda hosted a number of guests at his official residence, including JETRO Chicago's Chief Executive Director Muneo Takashi. The above picture features Consul General and Mrs. Hisaeda, former Shizuoka Lieutenant Governor Suzuki, Shizuoka Prefectural Governmental Officers, Mr. Makoto Shiota from METI, executives of Shizuoka-related companies in the Midwest, Mr. Terazaki of ANA and Consuls from Chicago and Washington, D.C.



Ralph Inforzato of JETRO Chicago chats with Kenneth A. Nelson, Mayor of Rolling Meadows, Illinois at the International Trade Networking Event, organized by the World Trade Center Illinois, on October 30.

On November 19, the Consulate General of Japan and JETRO Chicago co-organized an invitational program featuring "The Delight of Japanese Food."

At right, JETRO Chicago's Muneo Takashi and Mimi Ochiai with Chef Makoto Ito.

At far right, Chef Hisato Nakahigashi, Chef Masabiro Kurisu, with JETRO Chicago's Toshikatsu Mino.



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For general information, call the number above, or for a specific inquiry, use the form at [www.jetro.org](http://www.jetro.org) (select "Contact JETRO" from the menu bar at left).

For Invest-in-Japan and robotics information **INVEST JAPAN** contact Kevin Kalb, at [kevin\\_kalb@jetro.go.jp](mailto:kevin_kalb@jetro.go.jp).

For biotech information, contact Robert Corder, at [robert\\_corder@jetro.go.jp](mailto:robert_corder@jetro.go.jp)



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## Japanese Health Care: Rapidly Aging Population, Skyrocketing Care Costs



**Guest View**

*Michael S. Rosen  
 Senior Vice President,  
 New Business  
 Development, Science +  
 Technology Group,  
 Forest City Enterprises*

*This column is excerpted from an article published on MidwestBusiness.com on October 20, 2008*

I'm just back from the third year of attending the annual BioJapan conference this past week. This year's conference was once again held in Yokohama, Japan. It

was an opportunity to observe how this global industry has progressed in this part of the world.

BioJapan seemed quiet in 2008 without the buzz of the prior year. The French, Swiss, British and the Canadians all had a larger presence in 2008 versus 2007. Perhaps reflecting the crisis back home, the U.S. pavilion was smaller and almost meager. Present on the exhibit floor were Illinois, North Carolina, Iowa and Pennsylvania in addition to the U.S. commercial services and BIO. Other states (such as Ohio, Arizona and Florida) did participate in the JETRO reception. This featured several other countries in smaller exhibits. Interestingly, BIO had announcements out that it was starting a BioIndia partnering conference in Sept. 2009.

Illinois, which has had a direct representative office and local staff in Tokyo for more than 23 years, held an invitation-only lunch for a select group of Japanese life sciences companies with operations already in the state as well as a few potential candidate companies.

Considering that Illinois already has 600 Japanese companies in resident with close to 400 in the Chicagoland area, there is a substantial nucleus of Japanese companies and organizations (including a large JETRO office handling the Midwest region).

In addition to pharmaceutical giants Takeda and Astellas in Chicagoland,

other Japanese life science companies that Illinois can tout include Sunstar, Omron, Asahi Kasei Medical, Sysmex, Ajinomoto, Valent Bioscience and others.

I was also asked by JETRO to participate in a conference panel session, which they sponsored on partnering with American life science companies, which included executives from Midwest Big Pharma companies Abbott Labs and Eli Lilly. My role was to talk about entry strategy alternatives for small Japanese biotech companies to enter the U.S. market. This enabled me to do some research on key factors in doing business comparing the U.S. with Japan which I will share with you.

Remember that Japan's population (which is about 42 percent of the U.S.) is crammed into four main islands that together represent less than the size of the state of California.

An interesting comparison lies in an analysis of Japanese versus health care expenditures.

Though the Japanese elderly population is almost double the U.S., a segment of the population that requires most health care expenditures, the actual amount of health care expenditure in Japan as a percent of the overall population is almost half that of the U.S. Related to this is the fact that drug expenditures in Japan are about half of the U.S. (though this may not include Japanese herbal medicines as these don't count as prescription drugs).

As the Japanese elderly population is aging at a faster rate than the U.S., these health care expenditures are bound to increase quickly. According to JETRO, by 2050 it is projected that one out of every three Japanese people will be a senior citizen. This means there will be a need for greater medical and nursing care services. Due to the rising pressure of Japanese health care costs as a result of the rapidly aging population, the

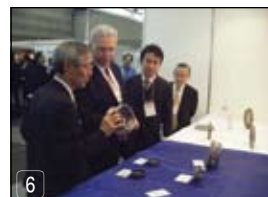
**See "Guest View/BioJapan" on page 4**

## Midwest companies visit Nagoya for Eco-Clean Car Fair

From November 7-9, JETRO Chicago brought a group of eight Midwest companies to exhibit at the Nagoya Eco-Clean Car Fair in Japan. Exhibiting companies included:

Alma Products Company (MI)	Jiffy-Tite Co. Inc. (MI)
Par-Tech (MI)	Means Industries Inc. (MI)
International Metals and Energy (MI)	Melling Engine Parts (MI)
Hydra-Drive Systems (MI)	IRMCO LeanGreen Metal Forming (IL)

The office also assisted other American exhibitors Arbin Instruments (TX) and Clean Diesel Technologies (CT). At right is a photo of the entire mission. Below are photos of exhibitors.



1. Alma Products Company
2. Hydra-Drive Systems
3. International Metals and Energy
4. IRMCO LeanGreen Metal Forming
5. Jiffy-Tite Co. Inc.
6. Means Industries Inc.
7. Melling Engine Parts
8. Par-Tech

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Japanese Ministry of Health plans to raise the volume of generics in the market, according to Med Ad News. This level (today at about 7.3 percent of total pharma sales) is planned to go to 30 percent by 2012. This means the sector will grow considerably at the expense of branded innovator drugs.

This shift is expected to precipitate further M&A activity in Japan.

The Japanese yen has appreciated about 12 percent against the dollar in the last 12 months. This will make further U.S. acquisitions attractive. Given the onset of generics in Japan, Japanese Big Pharma faces the same issues as their U.S. and European brethren: the need for revitalized product pipeline (meaning more new products).

I believe there will be further mergers between Japanese companies as well as the acquisition of Japanese companies by foreign pharma. There is a large tier of Japanese pharma companies with annual sales between \$500 million and \$2 billion. They never internationalized their businesses and don't have deep products for R&D.

They also seem not to be tapping into local Japanese biotech companies for product flow. During my trip and participation in BioJapan, it was hard to get a pulse on the growth and size of the Japanese biotech market. The "buzz factor" at the meeting was definitely lower. Perhaps this was due to the overall concern about the local and world financial markets.

It's known that venture capital groups are few and far between in Japan. Though there is an IPO market there, it's small and there are few IPOs. Nevertheless, the Japanese government seems intent on fostering the growth of this industry if for anything to help contain rocketing current and expected future health care costs.

Needless, to say it was a fascinating week. The international presence at this meeting demonstrated the interconnections of the biotech industry around the world.

*Michael S. Rosen is Senior Vice President, New Business Development for the Science + Technology Group at Forest City Enterprises, a NYSE-traded real estate development company which develops and builds bioscience parks across the U.S. Rosen is also a founder and board member of the Illinois Biotechnology Industry Organization. He can be reached at [rosenmichaels@aol.com](mailto:rosenmichaels@aol.com).*

### Guest View/STS Forum ... from page 1

with important recommendations, policies, and progress for G8 countries and the world. For STS Forum 2008, "Harmony with Nature," 700 leaders from 91 countries joined together. Topics at the STS Forum included: Sustainability - energy, water, food, environment; Biomedical discovery and development; Global solutions to infectious diseases; Information and communication technology; Nanotechnology; Science literacy; Universities and industries; International collaborations; Developing countries; Media on science and technology; Engaging policy makers in science and technology issues. We greatly appreciate Minister Omi, the Japan Government, the Mayor and people of Kyoto, JETRO, other organizers and sponsors, and all of the distinguished participants in the annual STS Forum.

The 21st Century is the Century of Energy. Sustainable energy will be the greatest human responsibility, opportunity, and endeavor. Clean energy is the key to solving many challenges worldwide. We must, as soon as possible, transform from fossil fuels to clean energy, and achieve the goal of reducing global greenhouse gas emissions by 50% by 2050.

Wind power, solar energy, biofuels, geothermal, wave, and other clean energies have been making great progress in recent years, with vital prospects for the future. For Harmony with Nature, the nuclear energy alternative should be Subcritical Fast Reactor using Thorium, U238, or nuclear waste as fuel, which may provide safe, clean energy for the world for the next thousand years.

Physicists Yoichiro Nambu, Makoto Kobayashi, Toshihide Maskawa have received the 2008 Nobel Prize in Physics. Prof. Osamu Shimomura shares the 2008 Nobel Prize in

Chemistry. I was fortunate to be invited to join the Celebration on Oct. 8, at High Energy Accelerator Research Organization, KEK, in Tsukuba, near Tokyo.

US-Japan science and technology collaborations have been great and wonderful, among agencies, foundations, universities, laboratories, and corporations. At Fermilab, we have greatly benefited and enjoyed collaborations with our colleagues in and from Japan, on high-energy particle physics, astroparticle physics, frontier technologies and accelerators.

Thanks to a very kind invitation, I also had the great honor and pleasure of visiting Governor Nakaima in Okinawa. The Japan Government, former Minister Omi, other leaders of Japan, former Governor Inamine, Governor Nakaima, the people of Okinawa, and worldwide leaders of science, including a dozen Nobel Laureates, have been building the Okinawa Institute of Science and Technology (OIST) into a world-class graduate university. As support for OIST, Governor Nakaima is establishing Okinawa International School for children in Okinawa and/or from abroad. Okinawa also hopes to have a Hadron Therapy Center. Since the invention of Proton Therapy by Dr. Robert R. Wilson (Founding Director of Fermilab), US, Japan, and Europe have been

developing and leading in Hadron Therapy, using proton, neutron or heavy ion for cancer treatment. The people of Okinawa already enjoy the world's highest longevity, and plan to have the best healthcare.

I look forward to future STS Forums to advance important progress in sustainable, safe, clean energy, food and water, improving science and technology, climate and environment, disease control and medical treatment, education, and world collaboration.

### Can I view and buy JETRO reports and publications online?

As many of you have discovered, the JETRO headquarters website has a wealth of reports available for free viewing and download, at [www.jetro.go.jp/en/reports/](http://www.jetro.go.jp/en/reports/). You'll find market reports, trade and investment statistics, white papers, standards and regulations, survey reports and more. Most are available in PDF format for free viewing. Some require a small purchase fee for printing.



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## Invest Japan Symposium

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Following a question-and-answer session, the audience headed to a luncheon session. Attendees heard from Yasushi Akahoshi, Director, Americas Division, Trade Policy Bureau, METI; Ken G Kabira, Executive Vice President and Chief Marketing Officer, Chicago Transit Authority (CTA) and former Chief Marketing Officer, McDonald's Japan. The lunch session was moderated by Ralph Inforzato, Director of Business Development, JETRO Chicag.

Closing Remarks were given by The Hon. George Hisaeda, Consul General of Japan, Consulate General of Japan at Chicago.

## Photos from the October 22 Invest Japan Symposium



Following a networking breakfast (above left), welcoming remarks were presented by The Honorable Patricia M. Haslach, U.S. Ambassador to APEC (above center), and Makoto Shiota, Deputy Director-General for International Regional Policy, Trade Policy Bureau, Ministry of Economy, Trade and Industry (METI) (above right). Opening remarks and a program overview was presented by Yasuo Hayashi, Chairman & Chief Executive Officer, JETRO (at right).



The keynote address was made by Stanley Roth, Vice President, International Government Relations, Boeing International (far left). The first panel of the day included Dave Johnson, Chief Financial Officer, Molex, Inc.; and Masachika Suzuki, Chairman of the Board of Directors, Shizuoka Prefectural University Corporation and former Lieutenant Governor, Shizuoka Prefecture (center left). The panel was moderated by David Baeckelandt, Principal, U.S. Head of Analytics & Research Group, Mercer Investment Consulting (left).

The morning's second panel included Hiroaki Niihara, Director, Corporate System Division, Economic & Industrial Policy Bureau, METI (near right); Kazunari Tomita, Chief Representative & General Manager, New York Representative Office, Tokyo Stock Exchange, Inc. (center right); David Makman, Counsel, Howrey LLP, and moderator Drew Edwards, Vice President, Advisory Research, Inc. (far right).



The luncheon session featured remarks from Yasushi Akahoshi, Director, Americas Division, Trade Policy Bureau, METI (second photo from left); and Ken G Kabira, Executive Vice President and Chief Marketing Officer, Chicago Transit Authority (CTA), former Chief Marketing Officer, McDonald's Japan (third photo from left).

Closing remarks were provided by The Hon. George Hisaeda, Consul General of Japan, Consulate General of Japan at Chicago (second photo from right). The luncheon session was moderated by Ralph Inforzato, Director of Business Development, JETRO Chicago (above right).